

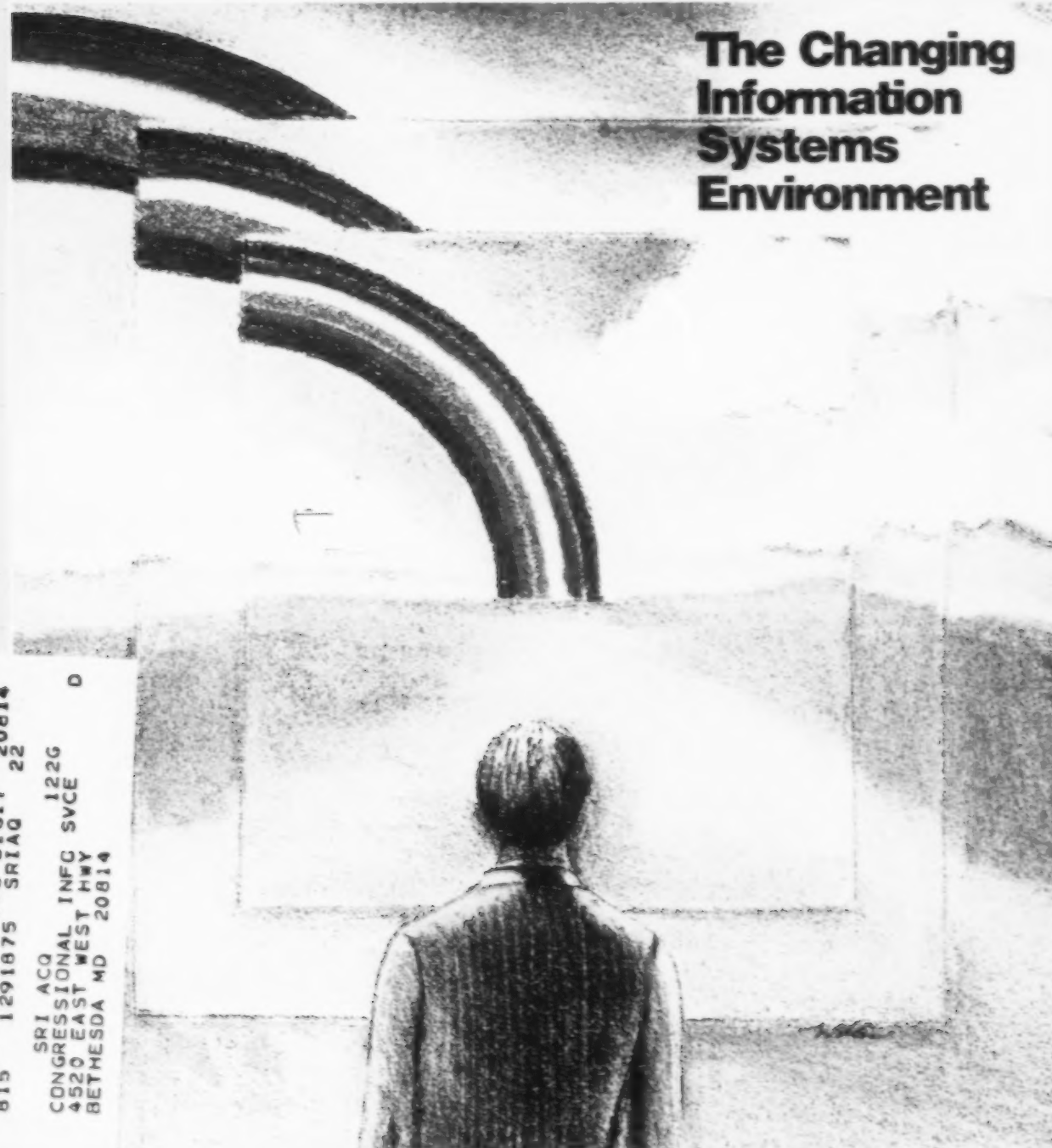
# INFOSYSTEMS

What's Ahead in Software • How to Rehabilitate a DP Shop

The Information Center: A Class of Service • Software Generators

You Don't Need a DBMS to 'Do Data Base'

## The Changing Information Systems Environment



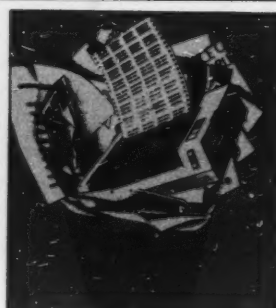
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## How Do You Compare to 1,000 Other Companies?

Where does your company stand in relation to over 1,000 materials requirements planning (MRP) users? Near the top? In the middle? I hope not at the bottom.

Competition is increasing both abroad and within the US, and it makes sense to know where you stand. History shows there is no company so large or so successful that it cannot be toppled by more effective competitors.

We conducted an extensive survey on MRP and manufacturing resources planning (MRP II). The response from more than 1,800 companies makes this one of the largest surveys of its type. We've collected the data, but only you can make the assessment of where your company stands.



By Darryl Landvater  
President  
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### Q. Are you doing anything with MRP or MRP II?

A. Over 60 percent or 1,123 of the companies which responded were using either MRP or MRP II. This is somewhat misleading since we directed our survey to companies that we suspected would be using MRP or MRP II. Yet, the fact that over 1,000 companies are actively using MRP does indicate that MRP is not a fad or a gimmick. One company in the survey has been using MRP for over 20 years, others more than 10. MRP is an accepted and normal part of running a manufacturing business for these people.

### Q. What effect has MRP/MRP II had on your company?

A. The success rate was astronomical. The data was correlated for all companies using MRP/MRP II and all Class A users. (Class A users are those companies scoring 90 percent or more on a standardized checklist used to evaluate MRP/MRP II performance.)

|                       | Percentage of All MRP Companies | Percentage of Class A Companies |
|-----------------------|---------------------------------|---------------------------------|
| Enormously better     | 32                              | 80                              |
| Somewhat better       | 53                              | 19                              |
| About the same        | 13                              | —                               |
| Not as good as before | 2                               | 1                               |

### Q. What have been the measurable benefits of MRP/MRP II?

A. The measurable benefits were significant enough to allow these companies to become more effective competitors. The numbers below are weighted averages for all MRP users and Class A companies.

|                           | Percentage of All MRP Companies | Percentage of Class A Companies |
|---------------------------|---------------------------------|---------------------------------|
| Inventory reduction       | 17                              | 25                              |
| Improved customer service | 16                              | 28                              |
| Improved productivity     | 10                              | 16                              |
| Reduced purchase costs    | 7                               | 11                              |

### Q. What have been the intangible benefits of MRP/MRP II?

A. While these are hard to translate into dollar benefits, they do affect the ability of a company to compete effectively.

|                                    | Percentage of All MRP Companies | Percentage of Class A Companies |
|------------------------------------|---------------------------------|---------------------------------|
| Better control of the business     | 89                              | 99                              |
| Better planning/simulation         | 82                              | 97                              |
| Improved market share              | 36                              | 65                              |
| Improved vendor performance        | 63                              | 94                              |
| Better quality of work life        | 65                              | 88                              |
| Eliminates end-of-the-month crunch | 58                              | 88                              |
| Improved cost control              | 74                              | 97                              |
| Reduced expediting                 | 77                              | 98                              |

### Q. What were the costs of implementing MRP/MRP II?

A. The costs were essentially the same regardless of how well or how poorly MRP was working. The cost for all MRP companies was \$907,000; Class A companies, \$1,181,000; and for Class D companies, \$1,002,000 (Class D companies are those scoring below 70 percent on the standardized checklist for evaluating MRP performance). The Class A companies spent more for education. The Class D companies spent more for other unspecified costs.

From this data on costs and measurable benefits, we calculated the return on investment (ROI) for implementing MRP/MRP II. The results qualified MRP/MRP II as a worthwhile project based on nearly any company's investment criteria. In fact, the hard part would be to convince the financial people that the numbers are real. The weighted average for Class A companies was over 200 percent. The weighted average for all MRP companies was 140 percent.

### Q. In implementing MRP/MRP II, what did you do?

A. The Class A companies, those with the best operating results, followed the recommendations that have been common knowledge for years. The Class D companies, those with the lowest operating results, did not do as well.

|                                 | Percentage of Class A Companies | Percentage of Class D Companies |
|---------------------------------|---------------------------------|---------------------------------|
| Top management education        | 82                              | 50                              |
| Formal cost/benefits study      | 66                              | 36                              |
| Full-time project leader        | 83                              | 49                              |
| Proven implementation plan      | 60                              | 24                              |
| MRP consultant                  | 73                              | 44                              |
| Key managers educated outside   | 89                              | 58                              |
| Video-assisted education inside | 70                              | 55                              |

After looking at where your company stands relative to others, the next step is yours. It's the hardest step, but one that doesn't get any easier with time. You must do something if your company is to become more competitive. 

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